

# **Neighborhood Development Collaborative**

## **Single Family Policies & Procedures Manual**

Approved  
September 30, 2009

**Neighborhood Development Collaborative  
Policies and Procedures – Single Family  
Index**

**FLOW CHART** (need revised)

**SOURCING PROPERTIES**

- NCST (to be added)
- Fannie Mae

**PROPERTY SELECTION / DUE DILIGENCE**

- Home Purchase Approval Request
- Project Proposal/Term Sheet
- NSP Matrix
- Vacant Building Certification

**PURCHASE CONTRACT**

- Funds Availability Form
- Environmental Review Request (need from Diane)
- Property Purchase Data (need from Larry)
- Contract to Buy/Sell
- Demographic Form (need from Larry)

**COST ESTIMATES**

- Procurement Procedures
- Rehab Standards
- Inspection Checklist
- Request of Funds from COD (need from Diane)

**ACQUISITION CLOSING**

**REHABILITATION**

- AIA Construction Agreement
  - o Subcontractors List
  - o Affirmation of Legal Work Status
- AIA Notice to Proceed (from Diane)
- AIA Application for Payment
- AIA Change Order
- AIA Lien Waiver
- Draw Request / Reimbursement Forms
- Certificate of Completion

- Demographic Information Form (from Larry)

## **MARKETING**

### **PROJECT COMPLETION / SALES**

- Certificate of NSP Homebuyer Education (from Diane)
- Deed of Trust
- Promissory Note
- NSP Downpayment Assistance Terms
- Outcome Performance Measurement Report

### **POST-SALE AND POST-COMPLETION COMPLIANCE**

- Property File Set Up Sheet

## **MISCELLANEOUS**

## **Neighborhood Development Collaborative Policies and Procedures – Single Family**

### **SOURCING PROPERTIES**

1. NDC will use as many or as few sources for properties as is necessary and prudent.
  - a. NCST
    - i. Guidelines/process for NCST
    - ii. Contact information
  - b. Fannie Mae <http://www.homepath.com/>
  - c. Freddie Mac
  - d. HUD [http://www.mcbrea.com/st\\_comain.htm](http://www.mcbrea.com/st_comain.htm)
  - e. JP Morgan Chase [http://mortgage.chase.com/pages/other/co\\_properties\\_results.jsp](http://mortgage.chase.com/pages/other/co_properties_results.jsp)
  - f. Wells Fargo  
<http://www.pasreo.com/pasreo/public/content.do;jsessionid=29988C1AA54FC35FA352E3C429D6996E?pageID=2000576>
  - g. ECM Mortgage  
<https://www.emcmortgagecorp.com/EMCMORTGAGE/DocStreamer?CHECKUSER=FALSE&D=emcreolisting.pdf&P=EmcMortgageCorp/documents/reo/&S=5&T=Real%20Estate&N=Real%20Estate%20Propertied%20For%20Sale>
  - h. Denver Public Trustee  
[http://www.denvergov.org/Default.aspx?alias=www.denvergov.org/Public\\_Trustee](http://www.denvergov.org/Default.aspx?alias=www.denvergov.org/Public_Trustee)
  - i. WAMU <http://www.wamuproperties.com>
  - j. Other
2. With the Board decision to have each entity implement their own property evaluation criteria, (whereas each entity is able to evaluate available properties based on their own budget criteria), the property selection process should be adapted to insure that no entity has to review or get assigned properties that do not meet their criteria, should allow for the ease in monitoring the property selection procedure, allow for a transparent process for all, and be implemented consistently with both City and NCST program needs. The property selection process outlined as follows:
  - At the start of each week, each entity will be assigned two lenders to review newly listed available properties. Lender order established the first week and rotated on a weekly basis. (We could select the start of the week based on when the new listing come out (Friday or Monday?).
  - At the end of each week, each entity will e-mail DHA the homes they have selected to bid on/ put under contract. DHA will compile the master list of bid on/ contracted properties and then forward to the three entities. (Clarify sorting process)
  - Once the list of bid on/ contracted properties is compiled and circulated, each entity is free to review the "pool" of remaining properties that were not chosen for bid or contracts for each lender. Some of the properties not selected may work for other entities as selection criteria varies among the entities. If an entity selects a property from the remaining pool they are responsible to notify DHA immediately so the property can be added to the list of bid on/ contracted properties.

- Because the list of bid on/ contracted properties will be circulated weekly to all three entities, each non-profit is aware of which homes are under development so that the process is transparent for all.

3. The developers intend to focus on specific neighborhoods to increase the impact of the NSP investment and the stabilization of communities, however, the first batch of properties (15 per developer) may not have a neighborhood focus due to other resources not being available yet.

|                         |      |     |
|-------------------------|------|-----|
| <b>SOURCES OF FUNDS</b> | None | \$0 |
| <b>USES OF FUNDS</b>    | None | \$0 |

**Neighborhood Development Collaborative  
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**PROPERTY SELECTION / DUE DILIGENCE**

1. Desk Review

- a. Eligibility Analysis
  - i. Acquisition Price Analysis
  - ii. Location Analysis
  - iii. Condition Analysis
  - iv. Marketability Analysis

2. Site Visit/Review

- a. Update analysis
  - i. Acquisition Price Analysis
  - ii. Location Analysis
  - iii. Condition Analysis
  - iv. Marketability Analysis

3. Home Purchase Approval Request - NDC

4. Project Proposal / Term Sheet

|                         |                      |                |
|-------------------------|----------------------|----------------|
| <b>SOURCES OF FUNDS</b> |                      |                |
|                         | Monthly Draw Request | \$150 per unit |
| <b>USES OF FUNDS</b>    |                      |                |
|                         | Inspection           | \$150 per unit |

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**PURCHASE CONTRACT**

1. Notify DHA/NDC (Home Purchase Approval Request)
2. Verify signature authorization for each nonprofit / Board resolution
3. Verify funds availability (DHA). Larry to check with title company.  
- Funds Availability (need from Larry)
4. Due Diligence
  - a. Appraisal
  - b. Environmental Clearance
  - c. Energy Audit
  - d. DHA HUD review
5. Appraisal – each agency responsible for selecting certified appraisers.
6. Reporting Requirements  
- Demographic Form (need from Larry)
7. Use Standard Contract to Buy and Sell Real Estate

| SOURCES OF FUNDS |               | ESTIMATES/PROPERTY |
|------------------|---------------|--------------------|
|                  | Member funds* | \$1600*            |
| USES OF FUNDS    |               |                    |
|                  | Appraisal     | \$350              |
|                  | Environmental | \$125              |
|                  | Energy Audit  | \$125              |
|                  | Earnest Money | \$1000             |

\*refunded at closing

# **Neighborhood Development Collaborative Policies and Procedures – Single Family**

## **COST ESTIMATES**

1. Generate in-house estimate based on site inspection
  - a. Inspection Checklist
  - b. Bid Package (determined by member)
  - c. Scope of Work (determined by member)
2. Bid to Contractors
  - a. Minor (<\$10,000) directly to subcontractors
  - b. \$10,000 - \$35,000 goes to next contractor on list (process TBD)
  - c. >\$35,000 follow procurement procedures
  - d. Scrape (process TBD)
3. Establish Total Development Cost – each developer to use own project proforma
4. DHA (Managing Member) requests COD to transfer acquisition funds to title company (due to lead time needed by COD)
  - Request Funds from COD

### **SOURCES OF FUNDS**

Draw Request to City

\$150,000 acquisition (example)

### **USES OF FUNDS**

Warrant to NDC, NDC wires to Title Co

\$150,000



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**ACQUISITION CLOSING**

1. Send instructions to title company regarding accounts.
2. Open Acquisition Escrow
  - a. will include:
    - purchase price
    - closing costs
    - contract amount with GC
    - developer fee
    - holding costs during rehab
    - contingency (15%)
3. Rehabilitation reimbursement account through title company
4. Developers confirm their own rehab funds available (LOC if applicable)
5. Attend closing
  - a. each entity will sign documents
6. Create property file
7. Give copy of all documents to DHA

**SOURCES OF FUNDS**

|                       |                         |
|-----------------------|-------------------------|
| Acquisition Escrow    | \$150,000 (for example) |
| Draw Request for Fees | \$12,600 (for example)  |

**USES OF FUNDS**

|                      |                                 |
|----------------------|---------------------------------|
| Developer Fee        | 5% to CDC (\$9,000 for example) |
| Master Developer Fee | 2% to NDC (\$3,600 for example) |
| To Seller            | \$150,000 (for example)         |

# Neighborhood Development Collaborative Policies and Procedures – Single Family

## REHABILITATION

1. Execute Contract (include subcontractor list)
2. Notice to Proceed
3. Check for Underground Utilities and Order Service
4. Draw Process
  - a. Will be on a reimbursement basis
  - b. 10% retention on all projects, paid at final draw
  - c. Documents
    - AIA Application for Payment
    - AIA Change Order
    - AIA Lien Waiver
5. Submit draw request to DHA (if requested by DHA)
6. DHA to approve draw and forward to COD
7. Title company will do lien search and release funds (electronically or standard) made payable to the contractor/vendor/agency specified
8. Repeat as necessary
9. At substantial completion (defined in contract), the 2<sup>nd</sup> installment of the developer fee will be released. Developer will submit draw request to DHA with documentation for developer fee.
10. Submit demographic information on the contractor to DHA, FORM (add from Diane)
11. Certificate of Completion (AIA or similar)
12. Contractor evaluation (format determined by each developer)
13. At final contractor payment, execute warranty for (1) labor & materials and (2) appliances.

### SOURCES OF FUNDS

|                 |  |
|-----------------|--|
| Draw Request #1 | \$1600 to refund acquisition/due diligence |
| Draw Request #2 | (recheck example)                          |
| Draw Request #3 | (recheck example)                          |

### USES OF FUNDS

|                      |                   |
|----------------------|-------------------|
| Construction Draw #1 | (recheck example) |
| Construction Draw #2 | (recheck example) |
| Construction Draw #3 | (recheck example) |
| Developer Fee        | 5% or \$9,000     |

**Neighborhood Development Collaborative  
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**MARKETING**

1. NDC will follow the terms of the contract with the COD.
2. NDC will adopt an Affirmative Marketing Plan.
3. NDC members will list properties on MLS, ColoradoHousingSearch.com and others as requested or required by the COD.
4. NDC members will include the COD logo, ADA logo, HUD logo, Equal Opportunity logo and NSP reference in all marketing materials. [check phrase to be included]
5. Each developer will use real estate agent(s) of their own choosing.



# **Neighborhood Development Collaborative Policies and Procedures – Single Family**

## **PROJECT COMPLETION / SALES**

1. Establish Listing Price
  - a. Cannot exceed Total Development Cost
  - b. Work with broker to establish comps & price not to exceed them
  - c. Total development subsidy < or = 50% of TDC
  - d. List as NSP in MLS special comments (must be income-qualified)
2. Buyer
  - a. Collect and review loan documents from buyer
    - 1003 loan application
    - Good Faith Estimate
    - Lender Letter
    - Income certification with back-up documents
  - b. Must meet income requirements as calculated by a HUD-certified housing counselor (<120% AMI)
  - c. Buyer will receive at least 6 hours of Homebuyer Education from a HUD-certified housing counselor
    - Certificate of NSP Homebuyer Education
3. 2<sup>nd</sup> Mortgage
  - a. When a HUD-certified counselor determines a buyer qualifies for a mortgage amount below the sales price, a second mortgage may be recorded
  - b. Each agency is responsible for monitoring compliance with 2<sup>nd</sup> mortgages it originates
    - Deed of Trust
    - Promissory Note (confirm affordability terms are addressed)
4. Sales Price & Subsidies
  - a. Example: property listed for \$175,000
  - b. Buyer can afford \$165,000
    - \$5,000 write-down (development subsidy)
    - \$10,000 second mortgage (affordability subsidy)
    - TOTAL of \$15,000
  - c. Term of forgiveness of 2<sup>nd</sup> mortgage will be according to the contract
5. Homeowners Warranty issued.
6. If property sold, submit to DHA:
  - a. Memo with HUD-1 detailing: (a) subsidies used, (b) demographic information on buyer and (c) leverage amounts, (d) request for final payment
7. If property unsold after 60 days from listing,

- a. notify DHA in writing (Option Agreement)
- b. re-evaluate sales price and subsidy amount and rental or lease/purchase options
- c. after 120 days unsold, proceed per Option Agreement

|                                       |                      |                     |
|---------------------------------------|----------------------|---------------------|
| <b>SOURCES OF FUNDS</b>               |                      |                     |
|                                       | Sales Proceeds       | \$165,000           |
| <b>USES OF FUNDS</b>                  |                      |                     |
|                                       | Developer Fee        | 5% to CDC (\$9,000) |
| Title Company – Program Income Escrow |                      | (\$152,400)         |
|                                       | Master Developer Fee | 2% (\$3,600)        |

**Neighborhood Development Collaborative  
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**POST-SALE AND POST-COMPLETION  
COMPLIANCE**

1. Compliance Reporting – Sold Properties
2. Unsold properties – Monthly Activity Report
3. Each developer copies property file and sends to DHA.

|                                      |  |                  |
|--------------------------------------|--|------------------|
| <b>SOURCES OF FUNDS</b>              |  |                  |
| Rental Income from Unsold Properties |  | \$800/month/unit |
| <b>USES OF FUNDS</b>                 |  |                  |
| Rental Expenses                      |  | \$800/month/unit |

**Neighborhood Development Collaborative  
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**MISCELLANEOUS**

1. Monthly report to the Board (or quarterly as required)
2. Any recommendations for amending this Policies and Procedures Manual will be brought to a regular monthly Board meeting for approval.
2. Track average discount over the life of the program
3. Continue to evaluate opportunities related to HERA and ARRA